

Return to: Sande
Honor Resources Co.
117 Mulberry Street
Ravenswood, WV 26164

BOOK 0726 PAGE 0235

**PAID-UP
OIL & GAS LEASE**

1312597-003

Lease No. _____

04/10 - WV

This Lease, made this 12th day of January, 2011, by and between Susan L. Lee, a widow, of 1441 Mosswood Place, Auburn, AL 36830, hereinafter collectively called "Lessor," and CHESAPEAKE APPALACHIA, L.L.C., an Oklahoma limited liability company, 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118, hereinafter called "Lessee."

WITNESSETH, that for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and of the mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

LEASING CLAUSE. Lessor hereby leases exclusively to Lessee all the oil and gas (including, but not limited to coal seam gas, coalbed methane gas, coalbed gas, methane gas, gob gas, occluded methane/natural gas and all associated natural gas and other hydrocarbons and non-hydrocarbons contained in, associated with, emitting from, or produced/originating within any formation, gob area, mined-out area, coal seam, and all communicating zones), and their liquid gaseous constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold or from neighboring lands across the Leasehold, to use oil, gas, and non-domestic water sources, free of cost, to store gas of any kind underground, regardless of the source thereof, including the injecting of gas therein and removing the same therefrom; to protect stored gas; to operate, maintain, repair, and remove material and equipment; to use and occupy the subsurface for a wellbore or wellbores to drill across, through and under the Leasehold.

DESCRIPTION. The Leasehold is located in the District of Union, in the County of Marshall, in the State of West Virginia, and described as follows:

Property Tax Parcel Identification Number: 11/11, 11.1

and is bounded formerly or currently as follows:

On the North by lands of Gerald T. Plantz et ux;

On the East by lands of Mark D. Otte, et ux;

On the South by lands of N/A;

On the West by lands of Donald & Daniel Fisher et al, Gerald T. Plantz et ux;

including lands acquired from Donald E. Jeffers as set forth in Will dated 6/11/1980, and recorded in Will Book 52, at Page 246, and from Dorothy J. Page as set forth in Will dated 2/16/1973, and recorded in Will Book 76, at Page 367 and described for the purposes of this agreement as containing a total of 5.390 Leasehold acres, whether actually more or less, and including contiguous lands owned by Lessor. This Lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by Lessor, by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land.

LEASE TERM. This Lease shall remain in force for a primary term of five (5) years from 12:00 A.M. January 12, 2011 (effective date) to 11:59 P.M. January 12, 2016 (last day of primary term) and shall continue beyond the primary term as to the entirety of the Leasehold if any of the following is satisfied: (i) operations are conducted on the Leasehold or lands pooled/unitized therewith in search of oil, gas, or their constituents, or (ii) a well deemed by Lessee to be capable of production is located on the Leasehold or lands pooled/unitized therewith, or (iii) oil or gas, or their constituents, are produced from the Leasehold or lands pooled/unitized therewith, or (iv) if the Leasehold or lands pooled/unitized therewith is used for the underground storage of gas, or for the protection of stored gas, or (v) if prescribed payments are made, or (vi) if Lessee's operations are delayed, postponed or interrupted as a result of any coal, stone or other mining or mining related operation under any existing and effective lease, permit or authorization covering such operations on the leased premises or on other lands affecting the leased premises, such delay will automatically extend the primary or secondary term of this oil and gas lease without additional compensation or performance by Lessee for a period of time equal to any such delay, postponement or interruption.

If there is any dispute concerning the extension of this Lease beyond the primary term by reason of any of the alternative mechanisms specified herein, the payment to the Lessor of the prescribed payments provided below shall be conclusive evidence that the Lease has been extended beyond the primary term.

EXTENSION OF PRIMARY TERM. Lessee has the option to extend the primary term of this Lease for one additional term of five (5) years from the expiration of the primary term of this Lease; said extension to be under the same terms and conditions as contained in this Lease. Lessee may exercise this option to extend this Lease if on or before the expiration date of the primary term of this Lease, Lessee pays or tenders to the Lessor or to the Lessor's credit an amount equal to the initial consideration given for the execution hereof. Exercise of this option is at Lessee's sole discretion and may be invoked by Lessee where no other alternative of the Lease Term clause extends this Lease beyond the primary term.

NO AUTOMATIC TERMINATION OR FORFEITURE.

(A) **CONSTRUCTION OF LEASE:** The language of this Lease (including, but not limited to, the Lease Term and Extension of Term clauses) shall never be read as language of special limitation. This Lease shall be construed against termination, forfeiture, cancellation or expiration and in favor of giving effect to the continuation of this Lease where the circumstances exist to maintain this Lease in effect under any of the alternative mechanisms set forth above. In connection therewith, (i) a well shall be deemed to be capable of production if it has the capacity to produce a profit over operating costs, without regard to any capital costs to drill or equip the well, or to deliver the oil or gas to market, and (ii) the Lessee shall be deemed to be conducting operations in search of oil or gas, or their constituents, if the Lessee is engaged in geophysical and other exploratory work including, but not limited to, activities to drill an initial well, to drill a new well, or to rework, stimulate, deepen, sidetrack, frac, plug back in the same or different formation or repair a well or equipment on the Leasehold or any lands pooled/unitized therewith (such activities shall include, but not be limited to, performing any preliminary or preparatory work necessary for drilling, conducting internal technical analysis to initiate and/or further develop a well, obtaining permits and approvals associated therewith and may include reasonable gaps in activities provided that there is a continuum of activities showing a good faith effort to develop a well or that the cessation or interruption of activities was beyond the control of Lessee, including interruptions caused by the acts of third parties over whom Lessee has no control or regulatory delays associated with any approval process required for conducting such activities).

(B) **LIMITATION OF FORFEITURE:** This Lease shall never be subject to a civil action or proceeding to enforce a claim of termination, cancellation, expiration or forfeiture due to any action or inaction by the Lessee, including, but not limited to making any prescribed payments authorized under the terms of this Lease, unless the Lessee has received written notice of Lessor's demand and thereafter fails or refuses to satisfy or provide justification responding to Lessor's demand within 60 days from the receipt of such notice. If Lessee timely responds to Lessor's demand, but in good faith disagrees with Lessor's position and sets forth the reasons therefore, such a response shall be deemed to satisfy this provision, this Lease shall continue in full force and effect and no further damages (or other claims for relief) will accrue in Lessor's favor during the pendency of the dispute, other than claims for payments that may be due under the terms of this Lease.

PAYMENTS TO LESSOR. In addition to the bonus paid by Lessee for the execution hereof, Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership, as follows:

(A) **DELAY RENTAL:** To pay Lessor as Delay Rental, after the first year, at the rate of five dollars (\$5.00) per net acre per year payable in advance. The parties hereto agree that this is a Paid-Up Lease with no further Delay Rental and/or Delay in Marketing payments due to Lessor during the primary term hereof.

EXHIBIT A

1 3 1 2 5 9 7 - 0 0 3

Addendum to Oil and Gas Lease dated January 12, 2011, from Susan L. Lee, a widow, Lessor, whose address is 1441 Mosswood Place, Auburn, AL 36830 to Chesapeake Appalachia, LLC, covering 5.390 acres, more or less, situated in Union District, Marshall County, West Virginia:

In the event of a conflict or inconsistency between the printed terms of this Lease and these added terms of this Lease, the added terms shall control and be deemed to supersede the printed terms of the Lease.

1. **Hold Harmless** Lessee agrees it will protect and save and keep Lessor harmless and indemnified against and from any penalty or damage or charges imposed for any violation of any laws or ordinances, whether occasioned by the neglect of Lessee or those holding under Lessee, and Lessee will at all times protect, indemnify and save and keep harmless the Lessor against and from any and all loss, damage or expense, including any injury to any person or property whomsoever or whatsoever arising out of or caused by any negligence of the Lessee or those holding under Lessee.
2. **Royalty** All references made in Paragraph (B) 2 of the section entitled "PAYMENT TO LESSOR" as to one-eighth (1/8) royalty shall be amended to **eighteen** Percent (**18%**).
3. **Paid-up Lease Consideration** This lease is made on the condition that it will become null and void and all rights hereunder shall cease and terminate unless the Lessee pays to the Lessor, within **One Hundred Twenty(120)** days from the date hereof, the sum of **Two Thousand Eight Hundred dollars & 00/100 (\$2,800.00)** per net mineral acre subject to this lease, which payment shall be considered as payment in full for the consideration of this lease during the entire primary term hereof.
4. **Tax Assessment Clause** In the event there is an increase in ad valorem taxes attributable to or resulting from the assessment of oil and gas due to oil and gas production from the Leased Premises, Lessor and Lessee agree to abide by the law and pay their proportional share, based on royalty interest, accordingly.
5. **Gross Proceeds** It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee. All royalties and overriding royalties shall be calculated at the final point of sale in an arm's length transaction to an unrelated third party.

Signed for Identification:

Susan L. Lee
Susan L. Lee

Jan Pest
MARSHALL County 01:24:42 PM
Instrument No 1301499
Date Recorded 03/15/2011
Document Type O&G
Pages Recorded 5
Book-Page 726-235
Recording Fee \$5.00
Additional \$6.00

STATE OF WEST VIRGINIA, MARSHALL COUNTY, SCT.:

I, JAN PEST, Clerk of the County Commission of said County, do hereby certify that the annexed writing, bearing date on the 12th day of January, 2011, was presented for and by me, admitted to record in my office upon the above certificate as to the parties therein named this 15th day of March, 2011 at 1:24 o'clock P.M.

TESTE: Jan Pest Clerk.